12 January 1979

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MEMORANDUM FOR: Director of Central Intelligence

Deputy Director of Central Intelligence

FROM

: B. C. Evans

Executive Secretary

SUBJECT

· Jim Taylor's 11 January Memo "Agency

Management: The EAG"

1. Except for the fact that it will cause you to discuss the topic, I am disappointed in Jim's paper. Following a lengthy history of Management Committee and EAG behavior, the principal actionable points in the paper are:

- a) Tell me what you want. (COMMENT: We should be advising you on what you need.)
- b) Change your style. (COMMENT: This is unrealistic because neither of you got where you are today by being ordinary. It is the system's responsibility to adjust and build a management apparatus which accommodates your style.)
- 2. As I mentioned to both of you before Christmas, there is a need for a senior "J-3 or J-5" staff simply because there is no place for either of you to turn for top-level cross-directorate policy/planning/programming guidance support that is not already consumed with operations or the budget. This executive support staff would serve the needs of the DCI/DDCI directly in matters of cross-directorate coordination as well as be supportive of any DCI executive body created. If such a senior staff were created, I would recommend that it be under the leadership of a GS-18 or EP-5 composed initially of 6-8 experienced officers. The functions of this group would include:
  - a) To identify major managerial, policy, planning and programming issues requiring a DCI decision; develop the necessary background information including recommendations and alternatives.
  - b) To coordinate the development of long-range appreciations of substantive and managerial needs.
  - c) To monitor the responsiveness of the budget process to established policy and to advise the DCI regarding policy implications of its composition.

- d) To monitor the performance and adequacy of services of common concern. identifying areas requiring policy guidance and decision.
- e) To review regulatory issuances and programs in order to identify areas in our doctrine that need to be reviewed or developed.
- 3. Under E.O. 11905/12036, the DCI has, for the first time, authority to manage the Agency. Nevertheless, the driving force behind its work flows from the DCI's responsibilities to the President and NSC which cannot be delegated. The creation of a senior policy/planning staff subordinate to the DDCI with the above responsibilities would provide an entity to assist the DDCI in managing the Agency by developing option papers in support of a revitalized EAG or Executive Council. To be effective the staff must have access to all sensitive policy/planning materials growing out of our current responsibilities to the President and the NSC. It should be divorced as much as possible from any operational responsibilities, and largely reserved for the review of major position papers flowing to the DDCI and DCI to include RM, CT and national intelligence objective papers related to current NFAC/RM efforts. This Staff would also perform the function of being the place to which each of you could refer an issue problem or project for independent review. The relationship of the Executive Secretariat to it would be the same as to any other senior staff.
- 4. If such a staff were created, it is most important that it be headed by a senior, experienced officer. I would hate to see us pull in an outsider for this chore. There are qualified officers within our ranks.
- 5. The recommendations contained herein, developed in response to Jim Taylor's memo, are restricted, as was his, to looking solely at the Agency. Nevertheless, it is clear that the DCI has broader responsibilities, supported by staff components which would not be addressed by an Agency EAG and supporting staff concept. However, the same basics apply if one were simply to expand the concept to include all DCI direct support offices and directorates in a single DCI Executive Board. The staff functions described herein could be broadened to cover the issues of concern to all and not just the CIA.
- 6. Attached is a listing of officers that come to mind as candidates to head up a Policy/Planning Staff (PPS). They are not listed in order of preference or qualification.

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Attachment

## OFFICER CAMDIDATES

Dick Lehman Ted Shackley  Evan Hineman George Carver	SA/DCI NIO/W CT IG NFAC DDO	
Don Greag	DDO* RM*	·

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\*Would be valuable members of the Staff.

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11 JAN 1979

MEMORANDUM FOR: Director of Central Intelligence

FROM

: James H. Taylor Comptroller

SUBJECT

: Agency Management: the Executive Advisory Group

In our conversation last week, you asked for proposals about better use of the Executive Advisory Group. This paper is designed to give you more background on our recent experience, suggest some lessons learned, and offer specifics for further discussion.

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2. History. In the years immediately before Jim Schlesinger's arrival in early 1973, there was relatively little concern with the need for central (as opposed to directorate) management in the CIA. As nearly as I can tell (and I did not see it firsthand), the DCI relied heavily on his four line deputies for advice and counsel, and the Deputy Director was rarely, if ever, involved in managerial issues. Indeed, at the highest levels, there was a perception that there were hardly any managerial or policy issues which transcended directorate borders. An important exception to this generalization was found in the role of the Executive Director/Comptroller, supported by what is now my Office. Through his stature and control of the resource process, he played a significantly wider role than that now exercised here. He was in fact generally considered the day-to-day manager of CIA, and those familiar with the period and more recent history generally argue that the subsequent elimination of this position left a void which has yet to be effectively filled.

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3. When Mr. Schlesinger arrived, he came to see the relatively total isolation of the directorates from each other as a fundamental management problem. Bill Colby had been Executive Director about a year at that time. A very strong believer in the wisdom of delegation (he was fond of saying we should give people resources, agree on their objectives, and audit their progress after the fact), he had concluded that CIA did not need an Executive Director, and he proposed to Schlesinger that the job be abolished. Colby believed that the Executive Director was doing the work of both the DDA and the Comptroller, eroding the responsibility of both, and that it was preferable to let each of these individuals exercise their full responsibilities. Mr. Schlesinger agreed, probably because he had already decided that (1) there was a need for

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a collegial management approach which would work to break down communication barriers and open up debate on managerial, policy, and other issues and (2) that the existence of an Executive Director was largely irrelevant to (or might frustrate) this task. As an aside, he viewed with some distaste the very "closed" operating style of Bill Colby's predecessor as Executive Director.

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4. At roughly this time, Schlesinger took two additional steps. He moved what is now my Office to the DDA and renamed the DDA the Directorate of Management and Services (DDM&S)—intending in effect to recreate in the DDM&S what had been the day-to-day operating role of the Executive Director, as Mr. Colby saw it. He also created a Management Committee—chaired by him and involving the line deputies. Shortly thereafter, before anyone had real experience with this new arrangement, he left to become Secretary of Defense, and Mr. Colby became DCI. Several serious problems quickly emerged.

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5. Mr. Schlesinger's personal choice to be DDM&S was awkward, and his role was poorly conceived in any event. Our office, for example, found it increasingly difficult to function within the DDM&S. Mr. Colby needed to salve Carl Duckett's bruised feelings at not being named DCI; he named Carl as Chairman of the Management Committee, thereby making leadership of this group of peers all but impossible. Mr. Colby finally managed to ease his DDM&S out and put our Office back in the DCI Area where it could function again, and the Management Committee stumbled toward oblivion with more and more rancorous discussion of increasingly irrelevant issues—much of this occuring as the Agency was enduring the tribulations of the Church and Pike Committees. In retrospect, it is a wonder that we survived this period at all.

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6. In July 1976, after Mr. Colby's departure and George Bush's arrival, Hank Knoche was named DDCI. Given a charter by Executive Order to run CIA on a day-to-day basis and Mr. Bush's general direction to "bring the CIA together," he devoted much attention to considering how our disastrous condition might be improved. Many believed that the Executive Director position should be immediately re-established. As it became clear that Mr. Knoche himself intended in effect to fill the Executive Director role and then some, I proposed instead revitalization of the Management Committee concept—as the Executive Advisory Group (EAG). Trying to avoid our experiences with the Management Committee, we agreed that: the DDCI would always chair meetings (because a group chaired by one of four peers has a very difficult time coming to a conclusion or even dealing with tough issues), there would be staff support and ruthless attention to the agenda (no trivia, only basics would be discussed), and focus would be on cross-directorate or Agency-wide issues (flowing from my conviction that it is senior management's job to help solve problems which cannot be solved by the next lower level, but not to meddle in those areas where someone bears full responsibility and has authority to act).

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- 7. I think that the record shows that we made as many important and useful changes within CIA in that one year—using the EAG device—as anyone has before or since. We also, I think, succeeded in creating a constructive problem—solving environment. The changes made—though many were accompanied by heated debate—were accomplished with very little ill-feeling and minimal dislocation.
- 8. A Perspective for Change. I hope it is apparent from the cryptic history above that isolation of the directorates was for most of our institutional life the way of life. Our institutional structure at that time can best be described as feudal—a structure characterized by the existence of individual fiefdoms. Only relatively recently has the wisdom of this arrangement been questioned by senior officials. It is, however, my conviction that the "fiefdom problem" which Jim Schlesinger, George Bush, and now you perceive here is no longer primarily a reflection of the desire on the part of the deputy directors to operate in relative isolation from each other (or from you). Rather, it reflects the near total failure of more senior management to provide a different and better behavior model in the face of an obvious requirement to do so.
- 9. By the early 1970s, the era in which CIA could survive as an institution without effective central management was effectively ending: CIA's Congressional constituency began to die off or retire; the United States was unceremoniously thrown out of South East Asia and endured the near impeachment of its President. The Management Committee and EAG as described above were in fact early attempts to move away from internal isolation to a more integrated arrangement. Your desire to reinvigorate the EAG, your earlier interest in an Ops 96-like group here, the DDCI's interest in an objectives program, and most of the bits and pieces I have gathered over the past year concerning the possible desirability of some kind of policy/planning group to serve the DCI and DDCI all relate to this same question.
- 10. In summary then, you and the DDCI need more structure to improve decisions, to get the organization to do what you want, and to sharpen the Agency's performance. More structure at the top is desirable because there is an unfocused but real yearning for it among Agency employees. Here we often hear words of encouragement from the people we deal with when we try to glue the inter-directorate pieces of a problem together. More structure is feasible, as was proven during Mr. Knoche's tenure. The problem is to find the proper balance between visible structure and the body politic—the unwritten treaties among fiefdoms, back scratching, the quiet resolution of an issue. Structure gives us discipline; political infrastructure gives us flexibility
- 11. The way the Agency is run obviously depends on your personality and style and that of the DDCI, but there are strong arguments for institutionalizing some degree of structure at the top. The best argument

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is the need for stability as Directors come and go. It is somewhat ironic that even with their many changes in leadership, the directorates and offices/divisions have stability in their management procedures over time that is lacking at the top. Equally important, Directors reasonably expect some mechanism to be in place when they arrive, and when they find that this is not the case, they usually do not have the time and cannot acquire the sense of the organizational culture to put a structure in place early enough to be of value to them (or to us). So each Director leaves this void to his successor and we all lose. Therefore, while there is merit in letting the structure evolve, we should keep in mind from the start that whatever is built should be of such fundamental value that it will serve you as well as future senior officials.

- 12. Changing our current state of affairs is by no means impossible—if senior management knows what it wants and can demonstrate that the institution will profit by change. (This, by the way, is the essence of your problem with the personnel management issue. You are trying to sell something which is sufficiently vague that no one can understand why they should buy in. And since you are, of course, tampering with a process most managers are accustomed to and like, you are finding resistance. In such a circumstance you cannot make much progress without finding a way to explain in some specificity what you want and convincing others it is in their interest to join.) You will be able to build a more integrated and more responsive structure here—one which we badly need—only as you are able to articulate what you want, why you believe it is needed, and as you are able to convince others that it will improve their ability to grapple with the problems all of us have. This, unfortunately, is not all that easy—if it were we probably would have done it by now. In particular, it is almost impossible to do alone. The EAG can help.
- 13. EAG Purposes and Membership. The purposes of the EAG as laid out when it was created two years ago still seem about right:
  - —to help you and others identify important Agency-wide issues;
  - —to help create a shared understanding of basic problems and encourage creative thinking about their solution;
  - —to encourage cross-Agency planning in selected
    problem areas;
  - --to support decision making, by you and by others on fundamental policy and planning problems; and
  - --under your direction, to participate in the making of major decisions affecting the Agency and

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its relationship to the Intelligence Community and to the rest of the Government.

I would suggest changes in membership and in the role you and the DDCI play. Regular membership should include DDO, DDS&T, D/NFAC, DDA, and the Comptroller. The General Counsel and the Director of EEO (who are now members) as well as other officials, should be brought in only as the need arises. The DDCI should be the nominal chairman, but you should chair meetings on important topics, and by your continuing guidance and comments on EAG matters, identify yourself with its purposes and goals. It should be clear to everyone that this is your mechanism and you want it to work. You might wish to change its name to underscore the point (the CIA Executive Committee or Executive Board are possibilities).

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14. Several lessons learned from our EAG experience should be applied as we begin anew. First, the EAG should not get into matters that are now handled effectively in the normal management chain. Second, careful attention must be given to delineating the issues we look at. Time spent figuring out what "the real question is" helps yield relevant and actionable responses. A related lesson from our past meetings is that the real issue is often not what we first thought. Flexibility and patience are needed to flesh out fundamental points. Third, there needs to be assiduous cultivation and encouragement by the chairman of new, controversial, and even unpopular views. Fourth, careful staff work is needed, and the members need to do their homework before meetings. Finally, all members of the EAG need to participate in topic selection. The quality of their individual contributions, their staff work, and overall results all depend on the degree to which they feel involved in the process.

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15. The EAG in the Management Context. What should be on the EAG agenda? As noted above, the topics should be important and interdirectorate or Agency-wide in nature. But my recent thinking about our problems and the way we deal with them leads me to believe that there are important issues that cannot be handled effectively by the EAG as previously constituted, by the normal management chain, or by the DDCI's objectives program. In effect, I believe the Agency management problem is bigger than the EAG. So I will digress a bit here to discuss some fundamentals, put them in the context of the EAG, then return to the EAG agenda question.

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16. There seem to be six kinds of things our management team should do. There are other ways of sorting out these activities, but this one lends itself to a basic argument I want to make, namely, that some things our executives do are more important than others, and the EAG is but one part of the structure you might consider.

- a. Setting a management tone. (Establishing the management climate; setting the pattern of leadership you wish to convey to your managers and through them to the rest of the organization.) While not a management activity per se, this is a key element of the management milieu. How policies come about and the way goals are chosen strongly influence what happens after the decisions are made. The act itself of revitalizing the EAG should have strong positive effects on the organization—quickly. It would be a signal that you and your deputies are working as a team, airing concerns in an atmosphere of trust, where time is set aside to try to understand each other's perspective better on a wide range of topics.
- b. Policy Formulation. (Establishing delegations of authority, do's and don'ts, providing basic guidance to the organization, interpreting legislation.) This area of executive activity is the most fundamental. It is high-leverage activity: the investment of time and thought on such issues can pay off directly in saving time and aggravation in reviewing proposals, tuning the organization, and the other activities mentioned below. Well written policy statements could spell out the kinds of issues that are to be brought up to the executive level. For example, DD's could have the authority to take action on changes in the services or activities they perform, except those that affect other directorates. These would be reviewed by you. Of course, the basic catch is that, beyond the obvious management policy areas, it is very difficult to articulate comprehensive but useful programmatic policies. What can be said that is useful at the policy level about Agency information processing activities, for example? Or about our approach to HUMINT? Perhaps very little, but whatever comes out of the effort is very rich ore indeed. The EAG collegial process of seeking broad policy statements (as with goal setting) could be immensely rewarding in itself.
- c. Planning. (Problem identification; goal setting.)
  This function has two purposes: to get the organization
  to do what you want done and to have the organization
  tell you what needs to be done. Setting goals and generating
  plans to meet them makes your desires explicit and visible
  and provides a common framework within which all parts
  of the organization can work. This is a difficult but
  vital process that could provide the foundation for most
  of what the Agency does. It is another high-leverage
  management activity. From a goal-setting process can
  flow specific plans for action, for allocating resources,

and for tuning the organization. The EAG ventured into this area in 1976 with limited success. We were climbing the learning curve slowly. Most of the goals we defined were too platitudinous; there was no way they could be refined into plans that lower level organizations could translate into action. To make a planning function work at the executive level, the goals we define must specify a state of affairs we want to exist in say five years in some important and difficult area: "The Agency should develop the systems and the operational assets needed to collect information on and effectively counter the Soviet effort in strategic deception and concealment within the next three years," or "Closer ties with other organizations in the Intelligence Community are needed

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this kind of management activity is not only possible, but also could become an effective basic management theme for the Agency if applied judiciously. It would resemble the DDCI's objectives program, but it would work from the top (i.e., it would address Agency-wide goals) and it would be longer range. The EAG would set the goal and the general strategic plan for accomplishing it (rough schedule, resource constraints, the organizations involved); several annexes to the plan would be written by the action components (and updated periodically) and brought together as an Agency document. The EAG would review the plan and approve it and subsequent major changes; a staff function at the interdirectorate level would oversee the writing, coordination, approval, and updating of the plan.

d. Proposal Approval. (Decisions on major proposals such as budgets, actions to carry out Agency goals, sensitive operational plans, expensive system designs, and personnel recruitment plans. Specific organizations and results are involved, a schedule is proposed, milestones are set, options are analyzed.) This is where your systems analysis staff function might come into play (and it should be noted that this could be a small albeit important piece of the total executive staff function). The EAG has spent most of its time in this area—analyzing and approving actions. It is my belief that time is most wisely spent by executives in this area when there is a strong relationship between previously agreed upon goals and a proposed action and when there is strong staff support.

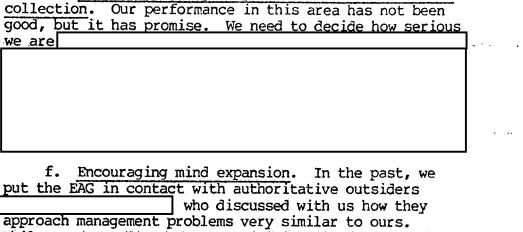
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- e. Action Review. (Tracking the progress of approved actions; keeping up with what's going on; learning. This compliments the approval function.) It can be argued that executives should spend as much time in determining how well their decisions were implemented (including negative decisions) as they spend in making the original decisions. Such reviews have not been carried out regularly, certainly not by the EAG. Commitment to a management structure cannot be sustained if action officers do not clearly understand that they will be held accountable.
- f. Process Control. (Decisions and analysis relating to the machinery of carrying out the Agency's job: fine tuning of the organization, making key personnel appointments, reallocating functions among organizations and systems, defining information flows and the chain of command, getting rid of bottlenecks in the Agency, setting standards.) Our executives should spend less time on these kinds of activities than they do on the others. The issues deal mostly with the nitty-gritty of the bureaucracy, but sometimes the little problems add up to more than mere annoyances. An important example here is the data flow problem: information often takes too long to get where it is needed and sometimes gets lost. This problem requires constant attention. There is a tendency for the EAG (indeed for all of our executives, including you) to get absorbed in these issues, which are largely administrative—to tinker more than they should. There is a problem here: many issues dealing with the machinery of the Agency can only be considered at the top—because that is the only place where all the pieces come together. But they should not take your time. Even though you should not focus on these issues, you need to be assured that this function is being carried out on your behalf. This mis-match between the executive's attention and needed staff support is an anomoly; it doesn't exist in the other management areas mentioned here. Hence, it is not easily dealt with. Indeed, the Agency is not dealing with it at all systematically at the top. The Executive Director function under Col. White came close. Also, some directorates have recognized the need for this as a staff function. Agency executives have understood such needs but cannot spend much of their time on special problems that look very complex. One result has been that proposals such as an ADP czar at the top always fall on deaf ears. Other organizations have created a management staff or a systems and procedures staff at the top to cope with the problem, and we should consider this possibility for the future.

- 17. The EAG Agenda. Of these six management activities, the first three strike me as more suited to the collegial concept of the EAG: setting a management tone, policymaking, and planning. These involve ideas and principles that need to be discussed at length by the principals, that should not be relegated to their staffs. Focusing on these areas signals the intent of you and your managers to initiate, not just review or react; to be architects of our future, not just engineers. Here are six examples (I have more):
  - a. Setting an EAG agenda. The first three or four meetings should be devoted to discussing what you, the DDCI, and the other regular members expect the EAG to accomplish and deciding what topics to look at in depth. Similar meetings devoted to the EAG process should take place about once a quarter.
  - b. Generating Agency plans for attacking the most critical, long-term intelligence problems. The senior Agency management team, without leaning too heavily on their staffs, could spend considerable time with you in fruitful discussion on the four or five intelligence problems we need to work very hard and looking at ways to mobilize Agency resources to get the answers to questions we will be asked three to five years from now. The two Pilot Collection Programs coordinated in my office—the Soviet directed energy weapons capability and the Soviet strategic ASW program—are examples of the value of focusing top level attention on tough problems. A set of goals could emerge from these discussions which are meant to influence planning in many sectors of our work-R&D, collection strategies, and personnel development (among others). The EAG would commission plans to achieve these goals and track progress against them.
  - c. Setting specific goals and generating plans for Agency information handling activities. Some work on this is already under way. The DDA and I have worked out a series of steps that should lead to answers about where we want to be in information handling capability in five years and a strategy for getting us there. EAG involvement is needed to carry this off.
  - d. Clarifying policies on delegation of authorities. Much of this is covered by Headquarters Regulations, but there are a variety of informal understandings at the executive level that you might wish to review with the EAG: the authority of the DD to make appointments to key positions in his directorate, to make organizational

changes, to eliminate or reduce a service affecting others, to cooperate with foreign liaison services or other agencies of the US Government.

e. Establishing a policy on clandestine technical



approach management problems very similar to ours. While I cannot document any specific result these meetings have had, I believe it important that you encourage some such approach to widen the experience of our senior managers and to generate ideas.

Topics in the other three categories of management activity delineated above should, of course, be on the EAG agenda, but in the context of the taxonomy used here, proposed actions considered by the EAG should meet two criteria: they should be within the framework of policies and goals previously discussed and defined, and they should be accompanied by a commitment to review them at a later time. However, the major work at the executive level on proposed actions of an Agency-wide nature, their follow-up, and an analysis in the area called process control above, should be performed by some mechanism other than the EAG. This is a day-to-day chore, albeit important. A well-staffed Executive-Director function might be the answer. An example of a staffing arrangement is given below.

18. Staff Support. Whether intended or not, substantive staff support at the top is weak. (An exception is the budget.) A revitalized EAG will help: the collegial atmosphere there will permeate outward a bit, encouraging contacts among staffs on topics discussed in EAG meetings. But this is not enough. Many issues reaching you have inter-directorate implications that you and the DDCI or your assistants cannot be expected to identify, let alone master. A comprehensive staff element is desirable. The focus of their work could be the EAG agenda, but there is an argument for something quite different: the staff could give most of its attention to topics that the EAG does not discuss; that is, it could dispose of many issues themselves, given proper guidance from the EAG and/or you. The Comptroller's Office does this now on

budget issues. It is accepted practice. This suggests an analogous arrangement on the substantive side: representatives from each directorate working together who have skills, experience, and interests that can be brought to bear on inter-directorate questions. They must know how their directorate works and be willing to work with others in the best interests of the Agency. But like the staff of the Comptroller's Office. they would need the clout of a senior official in sticky situations. What-would they do? Their primary focus would be on planning and on topics I called process control: coordinating plans commissioned by the EAG, making sure that important intelligence efforts are not being hampered by bureaucratic difficulties, jogging the bureaucracy to make data flow better, reviewing proposed changes in organizational functions and major internal systems—and in so doing, becoming competent to deal with serious issues brought to you or identified by you, the EAG, or this staff (using systems analysis methods, among others). They would serve the EAG: suggesting agenda topics, seeing that staff work preceding a meeting was done adequately, tracking progress on EAG actions at defined milestones, wordsmithing EAG policy statements and goals. They would cut their teeth on EAG topics, working into other areas slowly, as you or the EAG directs.

- 19. Next Steps. I have strayed a bit from the basic question of the EAG, but I found it necessary because several discussions I have had with you and others have common threads that are difficult to see. Further discussion is needed on how to get the most leverage from whatever mechanisms make sense to you. I suggest a session with you and the DDCI to talk about your reaction to this paper. Depending on that conversation, we might wish to recast this somewhat and involve the deputy directors in a subsequent dialogue.
- 20. A final point: the results that can be achieved from any of these mechanisms depend on your use or misuse of them. You cannot expect the EAG or an executive staff to comment thoughtfully on all of the papers you get or to react to every provocative suggestion you hear that involves tinkering with the way the Agency does its business. We need you as a stabilizing force now. To achieve this, you must acquire a sense of how the rest of us will react to your direction—and react we will, but not always in ways that you want or expect. There will be rough sledding. It will take time and patience. In brief, you must change your management pattern if any of this is to work. If little of this makes sense to you or if you do not agree that change is appropriate, we should probably not start down this path. Better to leave things be.

James H. Taylor

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cc: DDCI

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